Findlay Park Partners LLP (Findlay Park) is an independent investment partnership based in London. The Investment team manage a single fund: the Findlay Park American Fund (Fund). **Our purpose is to generate compelling compound returns for our investors, measured over decades**. We have a clear Investment Philosophy that is aligned to our purpose and starts with the belief that if we can control the downside risk in each investment, we should be able to produce a compelling risk-adjusted compound rate of return over time. Consideration of ESG issues, thorough engagement, and voting are key to this investment approach.

2020 highlights

- 100% voting record.
- Around 300 one-on-one meetings with over 100 companies.
- Over 100 engagements with portfolio companies where ESG issues were a focus.

Overview

We have long seen culture as a competitive advantage, and asked "Do we like the corporate culture?" of businesses in which we invest. This year we evolved the question to "Do we like the corporate purpose and culture?" This focuses beyond how a business operates, to ask why it exists, and for whom. Many of our holdings have thought deeply about their purpose and culture. One example – a new addition to the Fund this year – is **PayPal**. Later in this report we discuss how we believe PayPal's purpose – to increase financial inclusion – is a significant competitive advantage.

Questions of purpose and culture feel more relevant than ever this year. Companies have been rethinking their role in society and their part in building more sustainable and resilient systems. Despite the disruption caused by COVID-19, climate change has continued to be a global priority amid calls to "build back better". At Findlay Park we have begun systematic climate-related analysis of our holdings. For the first time we share some of this information below in a dedicated **Sustainability Risk** section, which details how we monitor a range of ESG themes.

We have also engaged with a number of companies in our Fund on climate-related issues. These include our two commodities holdings – gold miner **Agnico Eagle**, and oil and gas exploration and production firm **EOG Resources**. We outline related engagement and research in this report.

Style of responsible investment & reporting

Below we outline the style of responsible investment which best characterises our approach, with reference to the Stewardship Code and EU Sustainable Finance regulations.

Style	ESG Integration	Stewardship	Sustainable Investment
Definition	Assessing ESG issues to improve return	Being active owners & good stewards of capital	Targeting specific ESG characteristics or outcomes
Our approach	ESG issues present important risks for us to assess in our investment process	We take active voting decisions and engage heavily with our companies	We do not target specific ESG outcomes or characteristics in their own right– such as 'greener' companies

This report provides some detailed examples of our approach to ESG integration, engagement and voting, including the new **Sustainability Risk** section; later in the year, we plan to add a dedicated Stewardship Section, in line with the 2020 UK Stewardship Code. Investors may also refer to our UN Principles for Responsible Investment (PRI) report.

ESG Integration

Our Investment Philosophy helps us identify businesses that we believe will generate long-term sustainable returns. Our starting point when looking at a company is not 'how much can we make if we get it right?' but 'how much could we lose if we're wrong?' We have a comprehensive checklist of questions that we use to analyse all aspects of a business including its financial and competitive position, management team and valuation. This includes questions which address ESG issues.

This year we further evolved our portfolio-wide responsible investment report, which we use to help monitor all our companies. The report is reviewed on a regular basis by the Investment Committee and at our weekly Investment team meetings. The report focuses on five areas for which we combine internal and external analysis for all companies in the portfolio. Below we show these themes and the main questions from our Investment Philosophy with which they align.

Human Capital	Climate & Environmental	Corporate Governance	Cyber Security & Data Privacy	Business Ethics & Reputation
Rationale				
All businesses are people-driven	These risks are increasing and some are becoming systemic	Robust oversight is key to financial sustainability	Rapid digitalisation poses new challenges	Business conduct is under scrutiny in an age of transparency
Investment Philosophy Questions				
Do we like the corporate purpose and culture? Does it have strong and trusted brands? Will it be a stronger business in 3 to 5 years' time?	Is there a high degree of confidence in the inevitability of the long-term outcome? Does the business/industry face regulatory headwinds? Is the business susceptible to shifting consumer preferences?	Is management compensation aligned with shareholders? Do we like the corporate purpose and culture? Have management demonstrated good capital allocation?	Does it have strong and trusted brands? Will it be a stronger business in 3 to 5 years' time? Is there a high degree of confidence in the inevitability of the long-term outcome?	Does it have strong and trusted brands? Is the business susceptible to shifting consumer preferences? Does the business/industry face regulatory headwinds?

When assessing companies we also review specific issues that are material to a sector or company.

Sources

We make use of a wide range of sources to aid our research. These include the following:

- **Environmental** – MSCI (climate), CDP (water and biodiversity/deforestation).
- **Social** – Glassdoor (human capital), SecurityScorecard (cyber).
- **Governance** – Institutional Shareholder Services (ISS) (governance & norms), RepRisk (controversies).

This year we incorporated data from a female focused employee review site, **InHerSight**, in particular the rating of equality of opportunity.[1] We believe that companies will benefit from attracting and promoting talent in a fair manner.

[1] https://www.inhersight.com.

Sustainability Risks

Below we describe the sustainability risks associated with these ESG themes.[2] These five themes were chosen for their relevancy across our Fund; and we believe all of them to be financially material. We use these in our assessment of companies, and they inform our overall investment thesis; although we do not apply an assessment of the financial impact of these factors at the Fund level, we highlight evidence of the materiality of each issue. As detailed in our policy, we do not consider sustainability impacts in their own right, given our sole purpose to generate compelling compound returns for our investors, measured over decades.[3] We monitor sustainability metrics as indicators of potential investment risk and opportunity, in line with our purpose, as outlined below.

Human Capital

Poor human capital management entails a number of risks, including inferior productivity, customer service, employee retention and attraction of talent. By contrast, strong human capital management is associated with better performance. One study looking at 28 years' worth of data on companies ranked among the "100 Best Companies to Work For in America" found they generated 2.3 - 3.8% higher stock returns per year than their peers.[4]

One of the questions we ask of companies in which we invest is "Do we like the corporate purpose and culture?" Focus on employees is key to this question, and also the subject of engagement. In 2020 we tracked how companies managed COVID-19 related human capital issues. In the case of **Aon,** which cut employee pay by 20% with little rationale, we voted against executive compensation. We subsequently exited our position in part due to this issue. Among other measures, we monitor employee sentiment about companies through their Glassdoor ratings.[5] Glassdoor is a web platform allowing employees to comment on their experiences with employers and to give them a score from 1 - 5. We review these scores for all our companies on a monthly basis. The weighted average rating for companies in the Fund is **3.9**, compared to the site-wide average of **3.5**.[6]

Climate & Environmental

Financial regulators are increasingly concerned with the potential impact of climate change together with other environmental risks. The possible impacts include operational or supply chain interruption, further regulation, increased taxation, and disruption to companies' business models. Fund holdings are vulnerable to such risks, but it is difficult to assess the potential financial impact as this depends on a number of factors, including the extent of global warming. For instance, a 2015 study estimated that warming of around 4°C could result in a present value loss of US$4.2 trillion of financial assets, but that this could rise to as high as US$7 trillion with a 5°C increase.[7]

We monitor each company in the Fund for environmental risk. This includes assessing both the potential of their emissions to contribute to global warming – which we compare with the goal of the Paris Agreement – and the company's exposure to physical climate risk associated with rising temperatures, as well as water usage and deforestation. Where appropriate, we undertake intensive analysis and engagement on these themes; one example related to **EOG Resources** is shown on page 5 below. We are also exposed to investment opportunities arising as a result of environmental concerns, for example, we have exposure to the US' largest producer of wind energy through **Berkshire Hathaway**, and the world's largest green hydrogen project through **Air Products & Chemicals**.[8]

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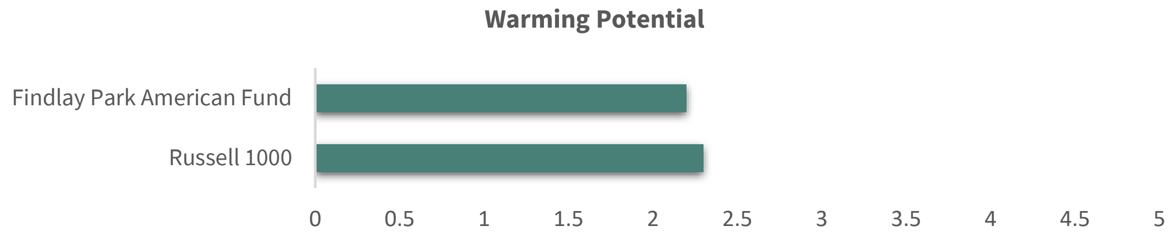
[2] In line with the EU Sustainable Finance Disclosure Regulation. Given our structure, the approach to sustainability risks and impacts outlined herein applies both the entity level and the product level.
[3] Further, information required to assess all adverse sustainability impacts on factors outlined in the above regulation, is not yet available. We also primarily invest in North American companies, which are unlikely to follow EU disclosure standards in the short-term. We will be mindful of future developments.
[4] Alex Edmans, "The Link Between Job Satisfaction and Firm Value", Academy of Management Perspectives, 2016.
[5] Clifton Green, et al. "Crowdsourced employer reviews and stock returns", Journal of Financial Economics, 2019.
[6] As at 31st December 2020, www.Glassdoor.com.
[7] Economist Intelligence Unit, The cost of inaction: Recognising the value at risk from climate change, 2015.
[8] The former relates to Berkshire Hathaway Energy and the latter to Air Products' hydrogen project in Saudi Arabia.

One of the metrics we assess – the 'warming potential' of our companies, as modelled by MSCI - helps us gauge alignment with the Paris Agreement.[i] This metric indicates projected emissions performance of our holdings was representative of the emissions performance of corporates globally, the world would experience **2.2°C** of warming by the end of the century.[9] This compares favourably to the figure for our benchmark at **2.3°C**, but is still above the target set in the Paris Agreement (1.5-2°C). This underlines the need for continued progress on this issue.



Units in degrees of additional warming above pre-industrial levels. This is based on projected Scope 1 emissions, which incorporate firms' carbon reduction targets where available. As at 31st December 2020. Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission

Noting the UK government's roadmap on Taskforce on Climate-Related Financial Disclosure, we will be reporting more information on this theme in the future.

Corporate Governance

Poor corporate governance can impact the long-term value of a business, weakening corporate strategy, risk management, and the alignment of executives' interests with those of other stakeholders. The potential financial impacts include direct costs, associated with excessive executive pay for example, and also opportunity costs through poor decision making. On the other hand, robust governance structures and appropriate incentives can enhance value. For example, a paper analysing the relationship between CEO stock ownership and performance over 23 years found that firms with large CEO stakes outperformed others by 4 - 10% per year.[10]

Four of the questions on our Investment Philosophy checklist relate to management and governance issues. We prefer companies with strong leadership, appropriate governance structures, and management incentives that are aligned with shareholders. We give an overview of our voting and engagement for 2020 on pages 7-11. We made active voting decisions at 100% of company meetings, and engaged with over 85% of companies in the Fund on ESG issues. We voted against at least one management resolution in 35% of annual general meetings over the year.

Cyber Security & Data Privacy

Failures of data security and privacy can result in fines, additional regulation, litigation, and the loss of intellectual property and market share. These risks are emerging for Fund holdings, and escalating in the US market more broadly, particularly as 'Big Tech' becomes an increasingly critical part of it. The impact of these issues can vary. For instance, under EU regulation, failures to protect data security can result in fines of up to 4% of global revenue, but there is not a federal equivalent in the US. We regularly monitor firms' cyber health, and engage on cyber and privacy issues. In 2019, we undertook a Fund-wide engagement on data security, and in 2020 we have spent a significant amount of time monitoring Big Tech firms' regulatory and social risks. At present, we are materially underweight in these firms compared with our benchmark (12% vs 19%).[11]

[9] As at 31st December 2020. Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission. This assesses future direct emissions (Scope 1) including corporate targets, rounded to the nearest 0.1 degree. Scope 2 and 3 emissions were not included due complexity of estimating and projecting them.
[10] Ulf von Lilienfeld-Toal & Stefan Ruenzi, "CEO Ownership and Stock Market Performance, and Managerial Discretion".
[11] As at 31st December 2020. We define these "Big Tech" companies as: Alphabet, Amazon, Apple, Facebook and Microsoft.

Business Ethics & Reputation

Any major reputational issue can damage a firm's brand, and weaken its relationship with key stakeholders. Research from McKinsey has indicated that 30% of corporate earnings are reliant on effective connection with these external stakeholders.[12] Our Investment Philosophy guides us towards companies with good reputations. We ask whether firms have strong and trusted brands, whether we like the corporate purpose and culture, and whether they face any regulatory headwinds. We also monitor firms' behaviour and any controversies associated with them, especially those which are severe or rapidly escalating.

We often raise related issues through engagement and voting. One tool we use to assess a company's conduct is ISS norms research, which assesses whether a company risks breaching fundamental norms relating to human rights, labour rights, corruption and environmental degradation. At the end of 2020, no company in the Fund was flagged as in breach of these.[13]

ESG Case Studies

EOG Resources

EOG is our only energy holding and we believe a 'best in class' company in this sector. Its unique qualities include a disciplined focus on returns, distinctive culture, drive for innovation and low leverage. This year we undertook a thorough re-review of the stock, from a combined fundamental and ESG perspective. We assessed the medium to long-term outlook for EOG based on both a 'bull' and 'bear' case. We designed both future scenarios as potentially compatible with the goals of the Paris Agreement – albeit that in the bull case this would entail material carbon offsetting. We varied factors including EV penetration, frequency of flying, and plastic recycling, and also considered investor sentiment regarding the Energy Transition. Overall we considered the risk/reward compelling.

We see the highest risk in fossil fuels which are both high carbon and high cost.[14] EOG is keenly focused on low cost oil, and in the past few years has become one of the lowest carbon oil extractors in its areas of operation. It has established targets to reduce greenhouses gases and developed a Sustainable Power Group. The focus of the latter is using technologies such as solar power to reduce operational emissions, but over time this may have wider applications. The CEO is aware of the need to plan for an Energy Transition, and recently confirmed that their discovery of a low carbon gas play was aligned with this.

We are in frequent dialogue with EOG on climate change, among other ESG issues. This year we were interested to see more information on water and biodiversity conservation in their ESG report, and discussed these issues with management. As some of their key operations are in arid environments, their ability to minimise freshwater use is particularly important. In 2019 they were able to decrease their fresh water use by nearly 30%. They have also partnered with communities and authorities to protect biodiversity. For instance, the firm has worked with the US Bureau of Land Management to track local hawk species. The data this produced has enabled the company to better support their breeding, and the Bureau to understand and protect the species.[15]

Overall we believe EOG is the one of the most distinctive and resilient companies in its industry. We remain active in researching, monitoring and engaging with the firm, which we believe can create value for our investors in a changing world.

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[12] John Browne, Robin Nuttall &Tommy Stadlen, Connect: How companies succeed by engaging radically with society, 2016, p.x.
[13] No companies were flagged for Failure or Imminent Failure to Respect Established Norms.
[14] The NGO, The Carbon Tracker Initiative has popularized the argument that high cost, high carbon fossil fuels may be 'stranded assets'.
[15] EOG Sustainability Report 2019. https://eogresources-com.s3-us-west-2.amazonaws.com/EOG_2019_Sustainability_Report.pdf.

PayPal

PayPal's business is built on trust, underpinned by the company's focus on security and privacy. In their words: "We have built our reputation on the premise that our Payments Platform offers customers a more secure way to make payments".[16] Correspondingly, the firm goes to great/considerable lengths to protect their brand and the security of their systems. PayPal is certified to a stringent information security standard (ISO 27001). They also make efforts to protect privacy, and customers don't have to share financial information on their platform.

More broadly, as one of the largest providers of working capital to small businesses in the US, PayPal aims to "democratize financial services". A study the company conducted in 2018 suggests that they provide a significantly higher proportion of financing to businesses in traditionally African American communities compared with traditional SME financing, and double the amount to female-owned businesses. This is something the company has highlighted as not just the 'right thing to do' but a significant commercial advantage. In line with the firm's focus on financial inclusion, management also recognise the benefits of financially secure workforce. In 2019, PayPal surveyed 9,000 lower-waged employees and found that 60% struggled to make ends meet at the end of the month. They announced four changes in October 2019: increased basic wages, lower cost of benefits, an employee wide stock programme, and financial education. The company sees this as an investment with a return: "investing in our employees will help us better serve our customers and ultimately drive long-term value".[17]

Overall, the firm demonstrate how a focus on stakeholders can benefit shareholders, and is an example of a firm innovating to better align the interests of the two. In the words of PayPal's CEO, Dan Schulman: "Capitalism is the best system that I know. But like any great product in the world, there needs to be upgrades."[18]

UnitedHealth

Healthcare can be a heated topic in the US. We have never invested in a pharmaceuticals company due to their poor fit with our philosophy; this also insulates our Fund from debates surrounding drug pricing. Instead we have tended to invest in life sciences companies who serve the whole sector: the 'picks and shovels' of healthcare.

More recently, we invested in health insurer and services provider, UnitedHealth. We think this is an exceptional business, not least as management have recognised the potential to improve healthcare outcomes whilst reducing cost. On the traditional health insurance side, the firm is the market leader in government-backed Medicare. Much of the company is explicitly focused on helping the system reduce cost, fraud, and waste – particularly through its non-insurance arm, Optum. United are also leaders in digital healthcare, and behavioural health, both of which have been critical this year. The company are also pioneers in the US in outcomes-focused care and incentivisation, so that healthcare providers are encouraged to focus on patient results, instead of maximising the use of services.

UnitedHealth has also made important efforts to act responsibly in the context of the COVID-19 pandemic. Among other changes, they have waived cost sharing for COVID-19 related issues for members, and provided free access to emotional support. The company has also accelerated nearly US$2 billion in payments and financial support to healthcare partners struggling during lockdown. In addition, United has donated substantial amounts to vulnerable populations, including through assisting the U.S. Department of Health and Human Services with a US$6 billion initiative for uninsured individuals affected by COVID-19. Similarly, the CEO of Optum, who was formerly the CEO of GlaxoSmithKline, was seconded to the WHO to help with vaccine development. In short, we see the firm as a leader in its industry, helping to pioneer creative solutions as well as thinking more broadly about the social responsibility of business at this time.

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[16] PayPal Annual Report 2019 p14. https://s1.q4cdn.com/633035571/files/doc_financials/2019/ar/COMBINATION-ANNUAL-REPORT-PROXY-4.8.2020.pdf.
[17] PayPal Proxy Statement 2020, p. i. https://s1.q4cdn.com/633035571/files/doc_financials/2019/ar/PROXY-FINAL-WEB-4.8.2020.pdf.
[18] '5 Insights from Our Quarterly JUST Call with PayPal', Just Capital. Original call on 13th November 2019. https://justcapital.com/reports/5-insights-from-our-quarterly-just-call-with-paypal/.

Engagement

Engagement is essential to our investment strategy. ESG considerations are embedded in our Investment Philosophy, and our frequent interactions with companies on a wide range of topics means that isolating purely 'ESG engagements' is not always simple. However, we have identified over 100 engagements this year where specific ESG issues formed all or part of the discussion. For most of these meetings, this was alongside engagement on more traditional financial topics, but for around a quarter of these meetings, ESG issues were the core focus.

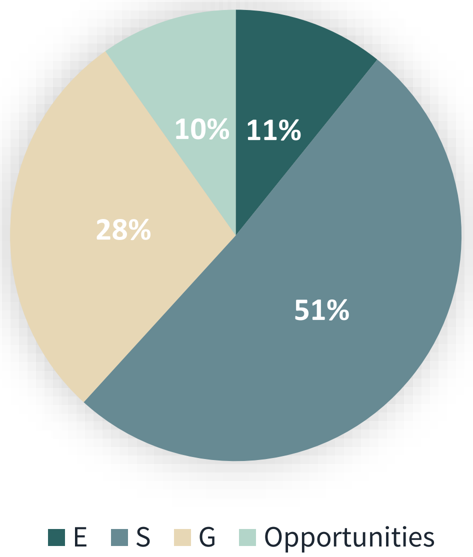
Below we list key ESG topics discussed in meetings with our companies so far this year. These are shown in order of frequency, highlighting that the social impact of COVID-19 was the most commonly featured area of discussion. This increased the weighting towards social areas compared to last year. Another change from last year is that we expanded our voting process to include more formalised engagement with companies prior to making our decision; as such, the governance element has also increased.

We also show the type of topic we addressed in tracked discussions where ESG issues featured. These are divided into Environmental, Social and Governance topics, as well as revenue opportunities from sustainable products, services and innovation (Innovation & Sustainable Opportunities).

Key ESG topics

- **Environmental Issues:** Climate was the most frequently discussed environmental issue, followed by water
- **Social Issues:** The Social Implications of COVID-19 was the topic theme most discussed. Purpose & culture, and human capital, were also frequent areas of discussion
- **Governance Issues**: Compensation featured most frequently in governance-related discussion, followed by Management Quality & Succession Planning
- **Innovation & Sustainability Opportunities:** These discussions covered a range of sustainability related opportunities, from Innovations in Health Care to Low Carbon Solutions

Topic type



Engagement Case Studies

Agnico Eagle

In 2H 2020 we had an in depth conversation with Agnico Eagle's Chief Sustainability Officer. Mining companies have long talked about the need for a 'social license to operate' but she emphasised their ambition to go further in having a positive impact on the communities in which they operate.

To help achieve this, the firm have a Stakeholder Advisory Committee, with members including representatives from indigenous communities and academics with experience in social impact. As far as possible, they employ people from areas local to their operations; indeed three of their mines are almost 100% operated by persons living locally or in the region. This year their commitment to indigenous communities has been particularly evident in Nunavut, in Northern Canada. The Nunavummiut were designated as particularly vulnerable to COVID-19, and Agnico Eagle have been operating in isolation from the community this year. They have continued to pay Nunavummiut employees 75% of their wage, but up to 100% if they undertake charitable projects.

Environmental risks were also discussed. As some of their mines experienced flooding issues in 2019 and 2020, we were eager to learn more about their approach going forward. They outlined that water stewardship was now a priority for them across their sites.

Agnico have drawn on indigenous knowledge to help them understand biodiversity issues, particularly caribou migration patterns, and also seek to use this in helping them better understand their exposure to physical climate risk in Northern Canada. In terms of transition risk – for instance, the potential for public policy to increasingly target high carbon industries – we note that 68% of the energy Agnico consumes is renewable. Nevertheless, we've encourage the company to provide more analysis and disclosure on this topic. Next year they aim to report in line with the recommendations of the Taskforce on Climate related Financial Disclosure.

Berkshire Hathaway

Berkshire has always been an interesting case for ESG engagement, as senior management at the parent organisation are generally difficult to reach, because Warren Buffett has always believed in running his portfolio with a small, close-knit team. However, this year we found ways to engage on certain issues, and contact relevant experts and former employees. For instance, as we prepared to review the stock to the team, we spoke with former leaders in Berkshire Hathaway's subsidiaries, and an academic who has studied the firm intensively over many years. These conversations confirmed our view of Berkshire Hathaway's culture as a competitive advantage. The firm is decentralised, and runs on trust. CEOs of businesses are vetted for their intelligence, energy and, above all, integrity. Indeed, one of Warren Buffet's most quoted sayings, which we often cite internally when thinking about our own culture, is "It takes 20 years to build a reputation and five minutes to ruin it".[19]

We were also able to discuss more specific ESG issues with Berkshire Hathaway Energy (BHE). We learned more about the Sustainability Leadership Council formed by Berkshire companies. The Council meets monthly to discuss best practices on sustainability issues as well as to plan for an annual sustainability summit which brings together Berkshire companies to share insights.

We also posed a set of questions covering the future of coal in their portfolio, potential targets for future emissions intensity, and the company's commitment to the Paris Agreement. Whilst management did not have specific goals regarding coal, they did highlight BHE's positive commitments to renewable energy. For example, approximately

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[19] 'Three Essential Warren Buffet Quotes to Live By', James Berman, *Forbes*, 20th April 2014. https://www.forbes.com/sites/jamesberman/2014/04/20/the-three-essential-warren-buffett-quotes-to-live-by/?sh=7040f4946543.

43% of their owned and contracted generation capacity comes from renewable and non-carbon sources. In addition, management noted their engagement with states to create tailored emission reduction strategies, including transitioning coal-fired power plants over time to renewable and non-carbon sources when economic. They also emphasised their long-standing commitment, made in 2014, to invest US$30 billion in renewable energy and related infrastructure, as well as more widely to support the global Paris Agreement.

FIS Global

We engaged with FIS as part of their shareholder consultation. Last year they did not gain majority shareholder support for their approach to executive compensation. As explained in our 1H 2020 report, we understood the rationale for their approach to compensation, which reflected their acquisition of Worldpay in 2019. Nevertheless we wanted to understand how the firm's approach was evolving, not just on compensation, but on wider ESG issues.

A Board member, who sits on their governance and remuneration Board committees, contributed to our discussion. This is rare for US firms and signals the importance they place on these issues. He demonstrated significant awareness of their approach, and is involved in overseeing the development of their new ESG report. We found that FIS have taken a number of steps to incorporate feedback to their compensation programme. For instance, they will now limit payouts related to long-term performance if absolute total shareholder return (TSR) is negative. They are also removing the ability for equity, which is usually paid out to the management over the course of many years as a reward, to vest unconditionally if the company is sold.

We were also interested in their experience of integrating Worldpay. They emphasised that there were cultural similarities between Worldpay and FIS, and that the firm moved quickly to integrate the two. They also took the opportunity to refresh the purpose of the business, incorporating Worldpay's ambitions to connect commerce worldwide. Their new purpose is defined as lifting "economies and communities by advancing the way the world pays, banks and invests"[20]. Similarly, we learned that they had created a new set of values when the companies came together, co-created with leaders across the businesses. These focus on three themes: teamwork, integrity and change. By working together to refresh their purpose and values, they found enhanced buy-in across the business.

Thermo Fisher

We contacted Thermo Fisher, seeking an update on social issues. In particular we were interested in their response to a human rights controversy, and an update on their internal approach to COVID-19.

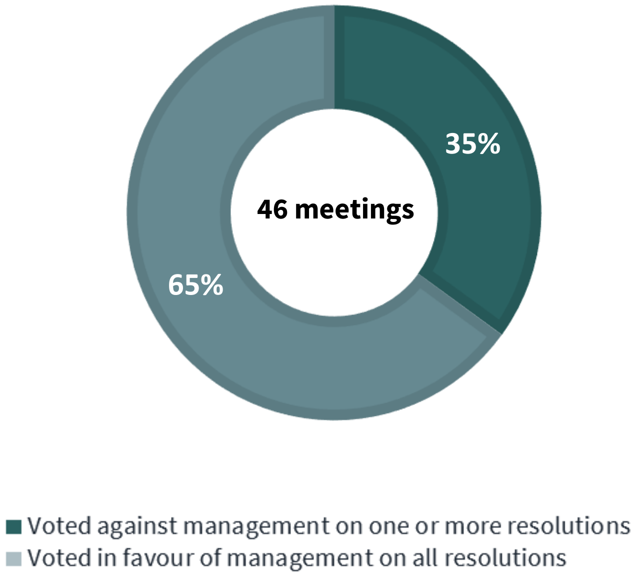
The human rights issue pertained to allegations that their DNA testing had being used to discriminate against Uyghur minorities in Xinjiang province. In response, the company decided to stop selling to this province at the start of 2019.This issue also led to the creation of a formal Bioethics Committee, led by Thermo's COO, with other members including the head of R&D. The company want to become more proactive, rather than reactive, as they deal with sensitive issues and human rights risks.

We were also able to speak to Thermo's management team about the company's approach to COVID-19, from the perspective of their business model, and within their business. While a small employee salary reduction was implemented over spring, this ended earlier than expected. Employees were not only reimbursed, but also paid a pandemic related bonus. They also underlined the pride their employees had in the firm and their response to COVID-19, including the rapid development of a COVID-19 test, which has become one of the market leading tests of its kind. This is corroborated by external reviews of the firm; one Glassdoor review written in June stated that "If you want to help fight coronavirus, the Applied Biosystems location of Thermo Fisher is a great place to be".[21]

[20] https://www.fisglobal.com/en/about-us
[21] Glassdoor, review from 29th June 2020. https://www.glassdoor.com/Reviews/Thermo-Fisher-Scientific-Reviews-E658.htm.

Voting

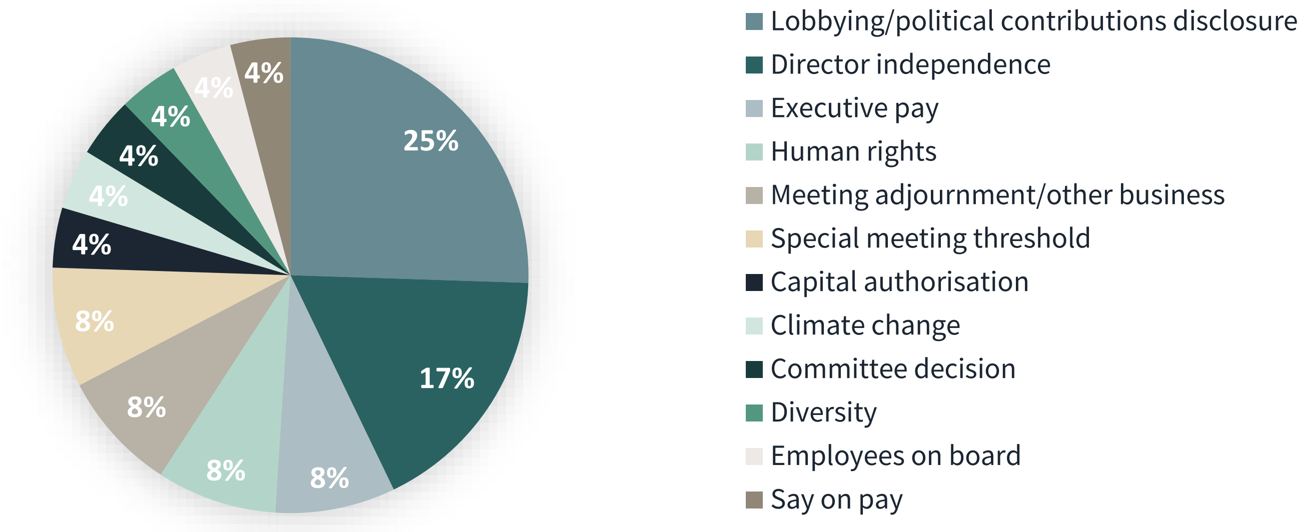
We have opposed management on at least one resolution at over one in three annual meetings. In 2H 2020 there were 50 meetings where we were eligible to vote as shareholders: 46 annual and 4 special.



Our policy is to abstain only in exceptional circumstances, and accordingly we voted on all resolutions at all meetings this year. In line with our wider voting principles – which focus on remuneration, risk and culture – we voted to secure:

- Executive compensation aligned with shareholders' interests
- Effective boards with appropriate independent representation
- Transparency on material ESG issues including lobbying and political contributions

Below we show how we have voted against management over the year by issue. Votes related to lobbying/political contribution were most common, followed by director independence.



In our 1H 2020 report we provide detail on significant votes across both management and shareholder resolutions in the first half of the year. This includes a summary of all votes against management or the Board as well as those where we did not vote in line with the recommendations of our proxy service provider, ISS. In accordance with the principles of the UK Stewardship Code, we also include a summary of our votes across all shareholder resolutions. Throughout 2020 we did not abstain or withhold votes on any items (unless there was no option to vote against, in which case this is the equivalent). We also voted in line with our formal policy commitments, which relate to lobbying/political contribution transparency, and on thresholds to call a special meeting which do not overly advantage one shareholder. We undertook thorough assessments of each company against our voting principles to aid our decision making.

There were only three annual or special meetings in 2H 2020, detailed below.

Analog Devices

This special meeting related to the proposed acquisition of competitor Maxim in an all-stock transaction. Maxim has particular strengths in automotive and data centre markets, complementing Analog Devices' leadership in industrial, communications and healthcare. We expressed some reservations to management regarding the funding and price. But overall we were convinced of the strategic rationale and the potential to add value in the long-term. We voted in favour.

Cintas

Cintas's business has its roots in an early form of circular economy thinking. It started in the 1920s as a family business collecting and cleaning dirty rags from factories. The founding family remains involved in the ownership and leadership of the company, and the culture is still entrepreneurial. We engaged with Cintas on a broad range of ESG topics this year, noting some poorer scores from external rating agencies. Overall we think this is primarily due to their lack of thorough ESG reporting – the company is in the process of developing the first report of this kind. This is one of several instances where external ratings have differed from the conclusions we've formed through our own in-depth research.

One shareholder resolution at the AGM called for greater disclosure of lobbying activity. In line with our policy to support such transparency, we voted for the resolution.

Microsoft

Last year ISS recommended a vote against CEO pay, in part because it considered some of the bonus metrics to be too qualitative. We noted, however, that these were well-articulated, and furthermore emphasised the importance of serving stakeholders other than shareholders. These included goals focused on critical issues such as privacy, responsible AI, climate change, employee satisfaction and diversity and inclusion. We voted for CEO pay last year.

This year, ISS recommended a vote in favour of the company's compensation plan, in part because the weight of these metrics will be reduced from accounting for 50% of the target bonus award to 30%. We agreed with their view that pay should be supported this year, and voted accordingly. But we were happy with the previous weighting, and question whether shareholders and broader stakeholders are best served by refocusing incentives on traditional metrics. We have been in discussion with ISS on this topic. They agreed that broader stakeholder issues are increasingly important, and that their stance on tying pay to these areas may evolve over time

As was the case last year, a shareholder resolution at the firm related to employee representation on the Board. We question whether this is necessary or beneficial. Microsoft highlight that 95% of their surveyed employees were found to be proud to work at the company and 91% think those from diverse backgrounds can succeed at the company – indeed, as indicated above, these metrics inform bonus levels. This also chimes with our external monitoring of the firm, which has a high Glassdoor score (4.4/5 at the time of writing).[22] We decided not to support the resolution.

Approved by the Board of Findlay Park Partners LLP

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[22] Glassdoor, as at 31st December 2020. https://www.glassdoor.co.uk/Reviews/Microsoft-Reviews-E1651.htm?filter.iso3Language=eng.

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